
INKWANCA TABLED BUDGET 2012/2013

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2. MAYOR REPORT

In terms of Chapter 4 Section 16(2) of the Municipal Finance Management Act of 2003 (Act no. 56 of 2003) the mayor of the municipality must table the annual budget at a council meeting 90 days before the start of the Budget year. The municipality has indeed prepared the budget for 2012/13 in line with the budget regulations.

The Local Government Municipal Systems Act, 2000 (Act no. 32 of 2000) requires the municipality to develop its Integrated Development Plan (IDP) for the term of the Council.

In achieving the above the Municipality tables its IDP 2013-2017 together with its Budget 2013-2015. As the basis your attention is drawn from the past performance of the last council. The municipality did not perform as well as it could have and this is due to general capacity constraints experienced by the municipality. This is a historical challenge that has had a negative effect to the municipality however we are nonetheless addressing this matter as the municipality. Notwithstanding the said capacity constraints, the municipality has nonetheless achieved satisfactory delivery as presented under Performance Highlights below:

The municipality has prioritised the following:

- Provision of potable water and adequate sanitation to the communities;
- Provision of electricity;
- Road Infrastructure;
- Local Economic Development
- Provision effective and clean governance
- Organisational development and
- Financial viability of the municipality

While the provision of water is a competence of the District Municipality, the local municipality has a key role in identifying priority communities for intervention and ensuring indeed that the District Municipality delivers in this regard. Similarly, delivery of electricity in the 60% communities is an Eskom competence, however the municipality plays an enabling and monitoring role in this respect also.

Inkwanca 2012/2013 budget and supporting documentation

The Inkwanca municipal area is blessed with natural resources such as coal, clay and good pastures. The challenge and the priority of the municipality is to tap into these natural resources with an objective of ensuring that there is an economic beneficiation by the communities of Inkwanca.

Public participation by the members of the community is also one of the priorities as we actively seek to have the members of the community play an active role in the Municipal Programmes.

The municipality's financial health is not at the position where we would like it to be. Some of the key issues in this regard are; that the municipality's revenue collection rate was below budget, that the new valuation roll has not been implemented i.e. the billing level is below the level where it should be, and the fact that our budget for the prior year was unrealistic (not achievable). The foregoing illustrates two issues firstly being the fact that the municipality is not in a preferred financial position i.e. not adequate money collected and recovered; the second issue depicted is that of a financial management function that is not adequate.

Going forward, we have addressed and continue to address the capacity issues within the BTO and across other municipal departments, this will address the issues of financial mismanagement in the past as well as the general financial position of the municipality given that income collection and recovery will be one of the priorities. In the new financial year, these issues will be addressed even in terms of Performance Contracts that will be signed between the Municipal Manager and the rest of section 57 managers.

The municipality assisted by the Province through Operation Clean Audit is working on a comprehensive plan to address the financial and human resources management skills and personnel resources (capacity) issue going forward. In the 2011/12 financial year a number of these plans have since been put in place.

Given the institutional challenges experienced in the year under review, key statutory requirements such as implementing an effective Performance Management Systems were not complied with. As a result, performance reviews were not conducted in time this year.

Inkwanca 2012/2013 budget and supporting documentation

However, we are pleased to report that this position has been reversed in the ensuing financial years.

I sincerely express my gratitude to the dedicated employees of Inkwanca Local Municipality who continue to provide quality services to our residents despite limited resources and for making this draft budget and the IDP tabled within the time frames as stipulated in the MFMA and in line with budget regulations.

I thank you

M.N. Qamqwana
Mayor

3. EXECUTIVE SUMMARY

Our institution is required in terms of Local Government Municipal Finance Act as laid down in terms of section 16, read with other relevant sections which regulate the formulation of the budget and this provision states the following that:

- The council must annually approve an annually budget before the start of the financial year;
- Further it has to be tabled within ninety (90) days by the mayor to the council;
- It must further entail provision of money for capital expenditure for period of three years;
- It must be further aligned to our strategic Integrated Development Plan.

We are further required in term of section 153 of the constitution the municipality is further obliged to make a budget that will give priority to the needs of the community. These priorities are part of our strategic IDP and they give effect to the vision and mission of the municipality. Our budget is further according to the size of the municipality which is the yard stick for other factors such as income collection and other sources.

For the consecutive period of three years we will notice a tariff increase or an estimated adjustment at a rate of 11.03% for the period of 2012/2013 to 3013/2015 for all our priorities. This further means that our main sources are still rates and taxes and that warrants us to strengthen our collection strategy if we want to realize our objective.

Our financial position is further not in the good state and this affects our performance tremendously as the institution, because Inkwanca is category and financial recourses are not distributed proportionately are apportioned as such and the affects our ability to perform as an institution and this is one of the main challenges facing us. Further the majority of the municipality's population is very low and that contributes to our small income base. We further amended both our debt collection policy and indigent policy with the view of meeting our challenges. With regard to debt collection policy we revised repayment terms in order to accommodate the

domestic consumer and further reviewed issues dealing with enrolment of indigent between period of January and February annually for the later policy.

These are the areas we prioritized in terms of our IDP as the municipality which are considered when we were budgeting:

- Provision of potable water, electricity and sanitation.
- Road infrastructure;
- LED;
- Effective and clean governance;
- Organizational development;
- Financial viability

Moreover free basic services are at the heart of this municipality despite our financial challenges and we are on course to improve our financial position in line with our strategic objectives which are contained in the IDP. Further it (IDP) will be used as a yard stick to assess our performance and that will enable the council and the community to assess our performance.

In conclusion our budget has tried to accommodate every section our municipality such category of persons who are beneficiaries in terms of the services that are rendered and with reasonable interest rate imposed as a penalty for late payments. Further we are now working together to resolve challenges that led to us receiving bad audit opinions

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S.S DYANTYI

4. BUDGET RESOLUTIONS

Inkwanca Local Municipality resolved on the motion of Mr. K.J. Jonga and seconded by Mr. N Cwebi to adopt the following resolutions as presented by the Honourable Mayor Mr. M.N. Qwamangwana on 27 March 2012.

There were no opposing motions.

1. Approval of the draft annual budget; operating and capital inclusive of votes for single year and multiyear capital expenditure.(Annexure A)

- Operating Budget R 40,206,117
 - Capital Budget R 9,991,000
- R 50,197,117**

2. Approval of all rates, taxes and tariffs for services provided by the municipality.(Annexure B)
3. Approval of measurable performance objectives for the annual budget for each year of the medium term revenue and expenditure framework. (Annexure C)
4. Approval of the transfer of funds to a separate bank account for purposes indicated in section 12(charitable, relief, trust funds)
5. Approval of all budget related policies of amendments thereof



QUALITY CERTIFICATE

I, S.S. Dyantyi ,Acting Municipal Manager of Inkwanca Municipality, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documentation are consistent with the integrated Development Plan of the municipality.

Print Name

Municipal Manager of Inkwanca Municipality EC 133

Signature

Date

POLICIES

The following policies accompanying the budget were presented to Council. They have already been adopted and no changes were made to them.

- Accounting Policy
- Banking Policy
- Budget Illustrative Policy
- Cash Management Policy
- Credit Control Policy
- Fixed Management Policy
- Indigent Policy
- Petty Cash Policy
- Write Off Policy
- Arrangement Policy
- Investment Policy
- Rates Policy
- Supply Chain Policy

The following two policies were amended:

1. Credit Control Policy.

It must read as follows;

DOMESTIC CUSTOMERS

DEBT	PAYMENT OF ARREARS
Outstanding amount	25%of outstanding debt plus the cost of the credit control actions. The balance over maximum 6 months

BUSINESS

	PAYMENT OF ARREARS
1 st default in any twelve month cycle:	50% of outstanding amount plus current account. Balance over maximum of 3 months Deposit adjusted to 3 months consumption.

2. Indigent Policy

The changes read as follows:

Registration **and renewal** will take place on dates and at times and places determined by the council, but shall generally be undertaken **during January -March each year**.